

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 INR-07 SS-15 SP-02 L-03 PRS-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5366

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AMEMBASSY SANTIAGO

C O N F I D E N T I A L LIMA 4472

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: BDIS, ENRG, EGEN, PFOR, PE

SUBJECT: PERUVIAN OIL - PETROPERU HEAD DOUBTS TRANS-ANDEAN
PIPELINE FEASIBILITY

REFS: LIMA 4077, LIMA 4155, LIMA 3858 (ALL NOTAL),
LIMA 3839

1. U.S. CITIZEN MINING EXECUTIVE, WHO IS LONG-TIME FRIEND
OF PETROPERU PRESIDENT, GEN. (RET.) MARCO FERNANDEZ BACA,
TOLD EMBASSY OFFICER ON MAY 30 THAT WITHIN LAST THREE
WEEKS FERNANDEZ BACA LAMENTED TO SOURCE THAT GOP LACKS
SUFFICIENT OIL TO MAKE TRANS-ANDEAN PIPELINE ECONOMICALLY
FEASIBLE. ACCORDING TO SOURCE, FERNANDEZ BACA SAID THAT
JUNGLE OIL PROVEN RESERVES OF BOTH OXY AND PETROPERU DO
NOT AMOUNT TO MORE THAN 600 MILLION BARRELS. SOURCE
INFORMED US THAT FERNANDEZ BACA HAD TRIED TO DISCUSS
MATTER FIRST WITH MINES MINISTER FERNANDEZ MALDONADO
WHO BRUSHED ASIDE HIS EXPRESSIONS OF CONCERN. FERNANDEZ
BACA THEN DECIDED TO GO DIRECTLY TO PRESIDENT VELASCO
TO INFORM HIM OF STATUS OF PIPELINE PROJECT. HE MANAGED
TO OBTAIN AN AUDIENCE WITH THE PRESIDENT (TIMING IS NOT
CLEAR), BUT, ACCORDING TO SOURCE, VELASCO REFUSED TO
LISTEN AND TOLD FERNANDEZ BACA CURTLY TO DISCUSS HIS
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PROBLEMS WITH THE MINES MINISTER. SOURCE NOTED THAT

FERNANDEZ BACA IS THEREFORE EXTREMELY DISCOURAGED ABOUT HOW TRANS-ANDEAN PIPELINE PROJECT WILL FARE, SINCE HE HAS BEEN UNABLE TO GET TOP GOP LEADERS RESPONSIBLE FOR DECISIONS TO FOCUS ON THE PROBLEM.

2. COMMENT: 600 MILLION BARREL FIGURE IS SIMILAR TO FIGURE VICE MINISTER OF ENERGY AND MINES USED WITH US IN MARCH, ALTHOUGH HE SUBSEQUENTLY TOLD US IN MID-MAY (LIMA 4155) THAT PERU NOW HAS 800 MILLION BBLs. PROVEN RESERVES. WHILE OUR SOURCE IS PRONE TO EXAGGERATION, WE PUT CREDENCE IN HIS RECOUNTING OF HIS DISCUSSION WITH FERNANDEZ BACA. THIS INFORMATION IS YET ONE MORE INDICATION OF LEVEL OF CONCERN IN PETROPERU, AT LEAST, OVER EVENTUAL FATE OF THE PIPELINE PROJECT AND CORROBORATES THE INFORMATION REPORTED IN LIMA 4077 THAT PETROPERU AND OTHERS MAY BE CONSIDERING THE ALTERNATIVE OF ABANDONING THE PIPELINE PROJECT ALTOGETHER. SUCH A DECISION WOULD, OF COURSE, PROBABLY NOT BE MADE UNTIL OXY IMPASSE IS FINALLY RESOLVED AND/OR PRIME MINISTER MORALES BERMUDEZ WERE TO DECIDE THAT THE POLITICAL SITUATION IS FAVORABLE ENOUGH FROM HIS POINT OF VIEW TO TAKE A DIRECT HAND IN THIS ISSUE. IN THIS REGARD, WE HAVE AN UNCONFIRMED REPORT FROM WELL-INFORMED BRITISH JOURNALIST THAT MORALES BERMUDEZ HAS ASKED AN OUTSIDE PETROLEUM CONSULTING FIRM TO REVIEW ALL PETROLEUM RESERVE DATA INDEPENDENTLY OF PETROPERU AND MINISTRY OF ENERGY AND MINES. THIS LATTER INFORMATION, IF TRUE, WOULD INDICATE THAT THE MORE MODERATE AND SOPHISTICATED GOP GENERALS REALIZE THAT THE PETROLEUM ISSUE MUST BE FACED SQUARELY AND IN THE NEAR FUTURE.
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